

AMENDED IN SENATE APRIL 14, 2015

SENATE BILL

No. 426

Introduced by Senator Leyva

February 25, 2015

An act to ~~amend~~ *repeal and add* Section 10168.4 of the Insurance Code, relating to annuities.

LEGISLATIVE COUNSEL'S DIGEST

SB 426, as amended, Leyva. Annuities: cash surrender benefits.

Existing law governs annuities and, for those insurance contracts that provide cash surrender benefits, prescribes the cash surrender benefit available prior to maturity. Existing law also requires the death benefit under these contracts to be at least equal to the cash surrender benefit.

This bill would instead require the death benefit payable under contracts issued *or delivered on or after January 1, 2016*, to persons 65 years of age or older to be at least equal to the annuity value or accumulation ~~value without value~~, *excluding* any surrender charges or penalties upon death. *The bill would also make technical changes.*

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 10168.4 of the Insurance Code is repealed.*
2 ~~10168.4. For contracts which provide cash surrender benefits,~~
3 ~~such cash surrender benefits available prior to maturity shall not~~
4 ~~be less than the present value as of the date of surrender of that~~
5 ~~portion of the maturity value of the paid-up annuity benefit which~~
6 ~~would be provided under the contract at maturity arising from~~

1 ~~considerations paid prior to the time of cash surrender reduced by~~
2 ~~the amount appropriate to reflect any prior withdrawals from or~~
3 ~~partial surrenders of the contract, such present value being~~
4 ~~calculated on the basis of an interest rate not more than 1 percent~~
5 ~~higher than the interest rate specified in the contract for~~
6 ~~accumulating the net considerations to determine such maturity~~
7 ~~value, decreased by the amount of any indebtedness to the company~~
8 ~~on the contract, including interest due and accrued, and increased~~
9 ~~by any existing additional amounts credited by the company to the~~
10 ~~contract. In no event shall any cash surrender benefit be less than~~
11 ~~the minimum nonforfeiture amount at that time. The death benefit~~
12 ~~under such contracts shall be at least equal to the cash surrender~~
13 ~~benefit.~~

14 *SEC. 2. Section 10168.4 is added to the Insurance Code, to*
15 *read:*

16 *10168.4. Contracts that provide cash surrender benefits shall*
17 *comply with all of the following:*

18 *(a) Cash surrender benefits available prior to maturity shall*
19 *not be less than the present value as of the date of surrender of*
20 *that portion of the maturity value of the paid-up annuity benefit*
21 *which would be provided under the contract at maturity arising*
22 *from considerations paid prior to the time of cash surrender*
23 *reduced by the amount appropriate to reflect any prior withdrawals*
24 *from or partial surrenders of the contract.*

25 *(b) For purposes of subdivision (d), the present value shall be*
26 *calculated on the basis of an interest rate that is not more than 1*
27 *percent higher than the interest rate specified in the contract for*
28 *accumulating the net considerations to determine the maturity*
29 *value, decreased by the amount of any indebtedness to the company*
30 *on the contract, including interest due and accrued, and increased*
31 *by any existing additional amounts credited by the company to the*
32 *contract.*

33 *(c) The cash surrender benefit shall not be less than the*
34 *minimum nonforfeiture amount.*

35 *(d) (1) Except as otherwise provided in paragraph (2), the*
36 *death benefit shall be at least equal to the cash surrender benefit.*

37 *(2) For contracts issued or delivered on or after January 1,*
38 *2016, to persons who are 65 years of age or older, the death benefit*
39 *shall be at least equal to the annuity value or accumulation value,*
40 *excluding any surrender charges or penalties upon death.*

1 ~~SECTION 1. Section 10168.4 of the Insurance Code is~~
2 ~~amended to read:~~

3 ~~10168.4. For contracts which provide cash surrender benefits,~~
4 ~~the cash surrender benefits available prior to maturity shall not be~~
5 ~~less than the present value as of the date of surrender of that portion~~
6 ~~of the maturity value of the paid-up annuity benefit which would~~
7 ~~be provided under the contract at maturity arising from~~
8 ~~considerations paid prior to the time of cash surrender reduced by~~
9 ~~the amount appropriate to reflect any prior withdrawals from or~~
10 ~~partial surrenders of the contract, the present value being calculated~~
11 ~~on the basis of an interest rate not more than 1 percent higher than~~
12 ~~the interest rate specified in the contract for accumulating the net~~
13 ~~considerations to determine the maturity value, decreased by the~~
14 ~~amount of any indebtedness to the company on the contract,~~
15 ~~including interest due and accrued, and increased by any existing~~
16 ~~additional amounts credited by the company to the contract. The~~
17 ~~cash surrender benefit shall not be less than the minimum~~
18 ~~nonforfeiture amount at that time. The death benefit under these~~
19 ~~contracts shall be at least equal to the cash surrender benefit, except~~
20 ~~that the death benefit payable under contracts issued to persons 65~~
21 ~~years of age or older shall be at least equal to the annuity value or~~
22 ~~accumulation value without any surrender charges or penalties~~
23 ~~upon death.~~